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WEINBERGER DRUG STORES, INC.

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Annual Report to Stockholders
for the Fiscal Year
ended June 30, 1940

WEINBERGER DRUG STORES, INC.

OFFICERS

Adolph Weinberger	President & Treasurer
Joseph Spivack	Vice-President
C. W. Evans	Secretary

DIRECTORS

J. G. Gosling
Mortimer Jacobs
Thomas H. Jones
M. M. Neubauer
Joseph Spivack
Adolph Weinberger
L. J. Wolf

REGISTRAR AND TRANSFER AGENT

The Cleveland Trust Co.

AUDITORS

Ernst & Ernst

Cleveland, Ohio
August 23, 1940

To our Stockholders:

The annual report of Weinberger Drug Stores, Inc., covering the operations of the company and its subsidiary for the fiscal year ended June 30, 1940, is herewith submitted. The consolidated balance sheet and summary of consolidated profit and loss and surplus have been examined by Ernst & Ernst, Certified Public Accountants, and their opinion is included herein.

Net profit for the fiscal year, after deducting all charges, including provision for depreciation and for all Federal and other taxes, was equivalent to $1.59 per share as compared to $1.27 per share for the fiscal year ended June 30, 1939.

Dividends of 25c a share were paid December 29, 1939, April 1, 1940 and June 28, 1940. During the year the company's bank loan was reduced from $270,000.00 to $125,000.00.

The policy of enlarging and modernizing the company's stores has been continued. On June 30, 1940, forty (40) stores were operated. Since that date one (1) new store has been purchased in Massillon, Ohio.

Very truly yours,

ADOLPH WEINBERGER

President

CONSOLIDATED

WEINBERGER DRUG STOR

June 3

ASSETS

CURRENT ASSETS			
Cash on hand and demand deposits		$148,356.61	
Trade accounts receivable		32,658.05	
Tax stamps—state		12,420.30	
Inventories—at lower of cost or market:			
At stores	$621,128.34		
At warehouse	392,908.38		
At laboratory	23,522.46	$1,037,559.18	
In transit		32,322.00	1,069,881.18	$1,263,316.14
OTHER ASSETS			
Cash surrender value of life insurance (Note A)		$ 28,548.40	
Miscellaneous receivables, etc.		5,463.86	
Deposits		2,675.00	
Claims against closed banks, etc.	$ 4,556.86		
Less reserve	3,324.42	1,232.44	37,919.70
FIXED ASSETS			
Furniture and fixtures, etc.—at cost	$471,145.45		
Leasehold improvements—at cost	173,867.36	$645,012.81	
Less reserves for depreciation and amortization		314,767.37	330,245.44
PATENTS AND TRADE-MARKS			1.00
DEFERRED CHARGES			
Prepaid insurance		$ 21,164.09	
Taxes		17,143.96	
Other		4,617.51	42,925.56
			$1,674,407.84

Note A—In connection with note payable to bank, the Company has deposited as collateral security therefor insurance policies, on the lives of its President and Vice President, in the aggregate amounts of $128,449.00 and $62,500.00 respectively.

BALANCE SHEET

ES, INC. AND SUBSIDIARY

0, 1940

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES			
Note payable—to bank:			
Payments maturing prior to June 30, 1941		$ 60,000.00	
Accounts payable:			
Trade accounts	$219,520.89		
Salaries, wages and additional compensation	8,296.48		
Pay roll taxes	9,868.24	237,685.61	
Accrued:			
Taxes (other than federal income)	$ 31,949.15		
Rent	4,654.21	36,603.36	
Federal taxes on income—estimated:			
Provision for year ended June 30, 1940		34,920.00	$ 369,208.97
LONG TERM DEBT			
Note payable—to bank—payable $5,000.00 monthly (Note A)		$125,000.00	
Less portion classified as current liability		60,000.00	65,000.00
RESERVE			
For general contingencies			36,000.00
CAPITAL STOCK AND SURPLUS			
Capital stock (without par value):			
Authorized 100,000 shares			
Outstanding 80,000 shares			
Stated capital		$589,670.00	
Surplus:			
Capital surplus	$105,409.39		
Earned surplus	509,119.48	614,528.87	1,204,198.87
			$1,674,407.84

CONTINGENT LIABILITY

On installment notes sold to a finance company—$394.41

Note B—The management of the Company has no knowledge of any contingent liabilities other than pending suits and claims for personal injury as to which, considering the nature of such cases and the amounts involved, the proceedings will not, in the opinion of the management of the Company, result in any losses of a material amount to the Company and its subsidiary.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS AND SURPLUS

WEINBERGER DRUG STORES, INC. AND SUBSIDIARY

Year ended June 30, 1940

SUMMARY OF CONSOLIDATED PROFIT AND LOSS

Gross profit		$1,685,358.40
Selling, general and administrative expenses		1,501,737.52
OPERATING PROFIT		$ 183,620.88
Other income:		
Revenue from telephones, etc.	$ 6,833.12	
Discount on tax stamps	3,762.97	
Sundry income	1,205.86	11,801.95
		$ 195,422.83
Other deductions:		
Provision for contingencies	$ 12,000.00	
Interest expense	10,167.19	
Life insurance expense—net	5,019.45	
Loss on disposal of capital assets—net	322.93	
Sundry deductions	2,073.87	29,583.44
PROFIT BEFORE FEDERAL TAXES ON INCOME		$ 165,839.39
Federal taxes on income:		
Provision for current year—estimated	$ 34,920.00	
Underprovision for prior year	3,489.47	38,409.47
NET PROFIT		$ 127,429.92

Note—Provision for depreciation and amortization included above aggregated $ 64,325.31.

CONSOLIDATED SURPLUS

CAPITAL SURPLUS			
Balance at July 1, 1939, and June 30, 1940 (no change during the year)			$ 105,409.39
EARNED SURPLUS			
Balance at July 1, 1939		$441,689.56	
Net profit for year ended June 30, 1940		127,429.92	
		$569,119.48	
Cash dividends:			
$.25 a share paid Dec. 29, 1939	$20,000.00		
.25 a share paid Apr. 1, 1940	20,000.00		
.25 a share paid June 28, 1940	20,000.00	60,000.00	
BALANCE AT JUNE 30, 1940			509,119.48
TOTAL SURPLUS AT JUNE 30, 1940			$ 614,528.87

Board of Directors,
Weinberger Drug Stores, Inc.,
Cleveland, Ohio.

We have examined the consolidated balance sheet of Weinberger Drug Stores, Inc., and its subsidiary as of June 30, 1940, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

Inventories were based principally upon physical quantities taken by the companies at or near June 30, 1940, and adjusted for intervening transactions between dates of inventory taking and June 30, 1940. We were present at the warehouse, laboratory and certain stores selected by us and observed procedures followed by employees of the companies in determining inventory quantities. Our examination also included a review of inventory records and tests of computations and basis of pricing.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of Weinberger Drug Stores, Inc., and its subsidiary at June 30, 1940, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
August 14, 1940